

**Virginia Housing Commission**  
**April 17, 2018**  
**House Room 1, The Capitol**

**Delegate Danny Marshall, chair of the Virginia Housing Commission (Commission),** welcomed the Commission and those in the audience.

**Director Elizabeth Palen** and three other speakers addressed the Commission: **Erik Johnson, Director, Department of Housing and Community Development (DHCD); Paul Brennan, Council, Virginia Housing Development Authority (VHDA); and Sonya Waddell, Director of Economic Affairs, Federal Reserve Bank of Richmond.** Each gave updates on housing in the Commonwealth, and in addition Ms. Waddell addressed trends in housing starts and mortgage foreclosures.

**Erik Johnson** stated that he has worked with the Commission the entire time he has worked in Richmond. Now as the director of DHCD, he outlined the following points regarding implications of federal housing policies on housing in the Commonwealth and presented an update on DHCD endeavors. He agreed to return to speak to the Commission in a more in-depth manner on any of the following points if the Commission so desires.

**A. Federal Budget – FY 2018 Omnibus Funding bill** - Amounts are highlighted below. Virginia has not received notice of its allocations yet.

1. The HOME Investments Partnership Program (HOME) received a large increase of \$400 million, funded at \$1.362 billion. This amount represents a 45 percent increase over the FY 2017 funding level, \$950 million, and is the highest level the program has seen in seven years. The Community Development Block Grant (CDBG) program received a 10 percent increase of \$300 million to be funded at \$3.3 billion for formula grants. The increases for CDBG and HOME are particularly significant given the Trump administration's proposals to eliminate the programs in the FY 2018 and FY 2019 budgets.
2. The McKinney-Vento (homelessness) programs are funded at \$2.513 billion, the largest appropriation received since the program began. The Emergency Solutions Grants will receive at least \$270 million, and the Continuum of Care programs will receive at least \$2.106 billion. This includes \$80 million for the homeless youth initiative and \$50 million for rapid rehousing and supportive services for victims of domestic violence.
3. Other HUD programs are funded at the following levels:
  - a. Project-Based Rental Assistance (PBRA) is funded at \$11.5 billion, up from \$10.8 billion in FY 2017.
  - b. Tenant-Based Rental Assistance (TBRA) is funded at \$22.015 billion, an increase of \$1.72 billion above FY 2017.
  - c. Housing Opportunities for Persons with AIDS (HOPWA) is funded at \$375 million, up from \$356 million in FY 2017.

d. Housing for the Elderly is funded at \$678 million, up from \$502 million in FY 2017.

e. Housing for the Disabled is funded at \$229.6 million, up from \$146 million in FY 2017.

f. The Choice Neighborhood program is funded at \$150 million, up from \$136.5 million.

## **B. Five-Year Consolidated Plan**

1. As it relates to the federal programs, DHCD is required to develop a five-year Consolidated Plan that includes the following programs: the CDBG, HOME, Emergency Shelter Grant (ESG), HOPWA, and national Housing Trust Fund (HTF) programs.

2. Input sessions regarding the plan were held around the state in December.

3. A draft plan is posted on the DHCD website for public comment by April 20.

4. Summary of changes:

a. The Housing Policy Advisory Council study is included to support the Consolidated Plan priorities.

b. The HOME TBRA Pilot Affordable and Special Needs Housing Program is moving from a focus on foster care to a focus on adulthood and from two funding rounds per year to one round per year.

c. All multifamily housing development activities must include broadband infrastructure (a HUD requirement).

d. The Vibrant Communities Initiative (VCI) pilot program will receive no new funding in 2018–2019; DHCD is evaluating and revising the program to incorporate a longer timeline for the program.

5. DHCD will submit the Consolidated Plan to HUD by mid-May or late May.

6. The Consolidated Plan goes into effect July 1, 2018.

## **C. Affordable and Special Needs Housing Program**

1. There is now a consolidated application for receiving grants from the HOME, National Housing Trust Fund (NHTF), Virginia Housing Trust Fund (VHTF), and Permanent Supportive Housing (PSH) programs.

2. The first round of grants was announced in January and includes 10 awards totaling around \$6.5 million.

3. The deadline for the second round of grants was March 30; the 22 submissions are currently being reviewed and scored, with an anticipated announcement date of late May or early June.

## **D. The VCI Pilot Program**

1. The program received 10 pre-applications.
2. Three applicants were invited to submit a full application due in May.
3. Project contracts are expected to be in place by August or September.

**E. Homeless Reduction Grants through the Virginia Housing Trust Fund**

1. DHCD allocated \$1.1 million for this round of funding.
2. Thirty applications were submitted requesting just over \$2.4 million.
3. Thirteen projects were funded on the basis of scoring and funding availability: eight rapid rehousing projects and five projects that will provide support services in existing PSH settings.

**F. Governor’s Coordinating Council on Homelessness:** The first meeting of this Council for the Northam administration is scheduled for April and will focus on developing overall goals and deliverables for the next four years.

**G. Housing for the Seriously Mentally Ill (SMI) Population**

1. DHCD was requested by the General Assembly through budget language to develop strategies, including funding strategies, to house the SMI population.
2. VHDA has funded the Technical Assistance Collaborative (TAC) to facilitate the process, which will be done in two phases.
3. State agencies assisting in leading the effort besides DHCD and VHDA include the Department of Medical Assistance Services (DMAS), the Department of Behavioral Health and Developmental Services (DBHDS), and the Department for Aging and Rehabilitative Services (DARS).
4. DHCD developed the “Housing the SMI Population Strategy Group,” comprising state agencies and stakeholders identified in the budget language—NAMI Virginia, the Virginia Housing Alliance (VHA), and the Virginia Sheriffs’ Association—as well as additional ones including the Virginia Association of Regional Jails, the Virginia Hospital and Healthcare Association, and the Virginia Association of CSBs.
5. Phase I is focused on developing strategies, and Phase II will focus on developing an action plan to implement the strategies.
6. A report with the recommended strategies was submitted to the Chairmen of the House Appropriations and Senate Finance Committees on January 3, 2018.
7. Phase II is about to be kicked off.

**H. Rural Housing Rehabilitation Program**

1. The program provides \$2.5 million in HOME funds towards the rehabilitation of owner-occupied single family homes, condos, or manufactured homes.
2. During the first year of the program last year, 16 applications were received and awards were made to six sub-grantees. The maximum amount for

each sub-grantee is \$350,000, and the maximum amount for each homeowner is \$40,000.

#### **I. Livable Home Tax Credit Program**

1. The goal of the program is to make housing stock more universally accessible.
2. One million dollars is allocated each tax year to the program.
3. Applications for the 2017 tax year were just completed, and 252 of the 255 applications submitted were approved.
4. Funds can be used for retrofitting or new construction.

Mr. Johnson completed his talk by noting that the effective date of the new Building Code will be September 4, 2018, and the Fire Code will be published October 12, 2018.

**Paul Brennan** gave an update on the effects of recent federal legislation. He stated that because of the tax reform last December, the corporate rate for the value of low-income housing tax credits (LIHTC) has lowered. The threat of this occurring began two years ago; from then until last December there was a decrease of 10 percent of value, and since last December there has been an additional five percent decrease in value.

Banks are major investors in LIHTC, and they too have been the subject of federal legislation. The good news is that Fannie Mae and Freddie Mac can now invest in LIHTC.

The nationwide investment in LIHTC projects is \$1 billion. Unfortunately, due to program guidelines (Duty to Serve), in Virginia the dollars are limited to LIHTC projects in the western and southwestern parts of Virginia where there is lower credit pricing. Traditionally not many LIHTC projects have been constructed in these areas.

Luckily, VHDA will benefit from the 12.5 percent increase in housing credit authority projected nationally for the next four years, which will roughly make up shortfall pricing. This is especially important because with the increase in construction costs, more credits are needed for each LIHTC project.

On the state level, mixed-income and mixed-use projects that combine market rate with low-income housing are increasingly popular with those using VHDA's services. Also, adaptive re-use of existing structures can be funded. To this end, the Community Impact Grant program, which has a budget of \$2 million, offers local governments resources towards community revitalization and encourages the development of mixed-use/mixed-income properties, which often anchor community development efforts and spur economic growth.

VHDA continues to expand and administer its home ownership loan program through its homeownership loan program, which has increased in the last two years to 8,000 loans representing \$1.6 billion dollars. The authority conducted a joint survey with DHCD to gauge the strength of nonprofit housing organizations and is administering the Capacity Building Grant program, which provides funding for nonprofit and local government entities to address the housing needs of low-income and moderate-income households. The program has a budget of \$6 million.

Also, VHDA is assessing the Housing Policy and Economic Impact study completed in November 2017 to see where VHDA can contribute to the economy in the Commonwealth.

**Sonya Waddell** began a discussion focusing first on the U.S. housing market and then moving on to the state of housing in Virginia. Using graphs and charts (available under materials on the VHC website), she gave the group an overview of residential investment, home sales and construction activity, and house prices in the U.S. housing market and construction activity, house prices, foreclosure and delinquency, and the Virginia labor market as they relate to the Virginia housing market.

The gross domestic quarterly report shows residential sales up more than 12 percent and stronger than the second and third quarter but still growing at the slowest rate since 2011 on a national scale. There has been a slowdown in the national market of residential investment in single family housing and an even higher softening in multifamily dwellings.

Construction in Virginia is not back yet to the pre-recession era; new homes sales are not up to the average of the 1990s. The fifth economic district, which includes North Carolina, South Carolina, Virginia, the District of Columbia, and part of Maryland and West Virginia, shows quite a shortage of homes selling for under \$400,000. Those in the mid-range of income have a challenge finding housing. Included in the reasons for this shortage are the prices of construction, land costs, and the costs of materials, all of which are rising. Construction is picking up despite these constraints, but permits and starts are not back up to the benchmark average of the mid-1990s.

Multifamily building is starting to decrease, but builders in Virginia are not concerned, because it appears this decrease is due to supply and demand. There has been a slow, steady improvement in housing sales in Virginia over the last five years, and housing sales year over year continue to grow there. It is nearly the same story as on the national housing front, although dynamics are different in rural areas of Virginia. Danville, for example, has a year-over-year decline and it is a diminishing decline there is mostly growth in the rest of Virginia.

Delinquency and foreclosure are on the uptick nationally and getting back to normal. In Virginia during the fourth quarter of 2017, there was a 1.1 percent delinquency rate, which is close to the 2006 rate. Adjustable as well as fixed rate mortgage delinquency rates are both trending downward.

Ms. Waddell made the following conclusions:

- U.S. and Virginia housing markets continue to improve on the whole, despite the slowdown in national residential investment growth.
- Indicators for house prices and sales exhibit growth while inventory levels are, by data and reports, low in many markets. Meanwhile, construction is not back to its average of the 1990s.
- Foreclosure rates have fallen back into normal territory. Delinquency rates for mortgages more than 90 days past due remain somewhat elevated compared with past expansionary periods.
- Employment in Virginia continues to grow, though more slowly than in the United States as a whole.

**Elizabeth Palen** informed the Commission that there are a great variety of topics this interim to be studied—some from studies sent by the General Assembly or through referral from House or Senate Committees and others because they are pertinent to the housing arena. The work plan is on the VHC website.

She spoke to the group concerning the logistics of how the topics will be studied this interim. The work plan that was distributed has the topics divided into three work groups: Affordable Housing and Real Estate Law (Delegate Chris Peace, Chair) Neighborhood Transitions; Land-Use and Environmental Issues (Senator Mamie Locke, Chair); and Common Interest Communities (Delegate David Bulova, Chair.)

Each work group's membership will remain the same from last year with the goal to represent all industries necessary for a thorough discussion of topics and to include one person per entity. Meeting dates and times will be posted to the VHC website as well as on the Legislative Calendar. Topics will be discussed in the work groups and recommendations made to the full Commission.

The meeting was adjourned; the full Commission will meet on September 12, 2018.